

**STATE OF CALIFORNIA  
BUSINESS, TRANSPORTATION AND HOUSING AGENCY  
DEPARTMENT OF CORPORATIONS  
[www.corp.ca.gov](http://www.corp.ca.gov)**

**INFORMATION TO ASSIST PERSONS APPLYING FOR AN INVESTMENT ADVISER CERTIFICATE**

The following information is to assist persons applying for an investment adviser certificate and desiring general background information concerning the rules and regulations of the California Corporations Commissioner ("Commissioner") as they pertain to licensing of investment advisers. No interpretation of any law or regulation is intended.

**1. STATUTE & RULES**

The laws and rules governing investment advisers in California are found under the California Corporations Code ("Code") and Title 10, Chapter 3, California Code of Regulations ("CCR"), respectively. The sections of the law that relate specifically to broker-dealers and investment advisers begin at Section 25200. The other sections of the law relate to general securities law. The rules for broker-dealers and investment advisers begin at Section 260.200.

All applicants should obtain copies of the laws and rules. Persons issued certificates are charged with the responsibility of familiarizing themselves with the applicable sections of the laws and rules. The California Corporations Code and California Code of Regulations may be found through links on the Department of Corporations ("Department") web site at [www.corp.ca.gov](http://www.corp.ca.gov). The links are [www.leginfo.ca.gov/calaw.html](http://www.leginfo.ca.gov/calaw.html) and [ccr.oal.ca.gov](http://ccr.oal.ca.gov), respectively. The rules are also available at the offices of County Clerks or County Law Libraries and 100 state depository libraries. The rules are also available in loose-leaf form from the publisher, West Group. For information, contact West Group at 1-800-888-3600.

**2. DEFINITIONS**

(a) Investment Adviser is defined in Code Section 25009 as any person who, for compensation, engages in the business of advising others, either directly or indirectly through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing or selling securities, or who, for compensation and as a part of a regular business, publishes analyses or reports concerning securities. (This is not a complete definition. See Section 25009).

(b) Investment adviser representative or associated person is defined in Code Section 25009.5(a) as any partner, officer, director of (or a person occupying a similar status or performing similar functions) or other individual, except clerical or ministerial personnel, who is employed by or associated with, or subject to the supervision and control of, an investment adviser that has obtained a certificate or that is required to obtain a certificate under this law, and who (i) makes any recommendations or otherwise renders advice regarding securities, (ii) manages accounts or portfolios of clients (iii) determines which recommendations or advice regarding securities should be given, (iv) solicits, offers, or negotiates for the sale or sells investment advisory services, or (v) supervises employees who perform any of the foregoing.

**3. FORMS**

**FORM ADV** - The Uniform Application for Investment Adviser Registration ("Form ADV") is to be completed by the applicant and filed electronically with the Investment Adviser Registration Depository ("IARD"). To file electronically you need to obtain the [State Registrant Entitlement Packet](#) from the IARD web site at [www.iard.com](http://www.iard.com). By completing the Entitlement Forms and returning the forms to IARD, you are requesting the [NASD](#) to entitle you to access the IARD System for electronic filing. Once the NASD receives the Entitlement Forms, they will establish your IARD User Account and you will be able to access and use the IARD system. Additional information on the IARD system may be found on the IARD web site.

**FORM U-4** – The Uniform Application for Securities Industry Registration or Transfer Form ("Form U-4") is to be completed for each investment adviser representative or associated person and filed electronically with the Central Registration Depository ("CRD").

FORM U-10 – The Uniform Examination Request for Non-NASD Candidates ("Form U-10") is to be completed and filed with the National Association of Securities Dealers ("NASD") if you must satisfy the qualification requirements set forth under CCR Section 260.236. You can apply for the 2000 Series 65 Examination by sending Form U-10 and the appropriate fee to the NASD at 9513 Key West Avenue, Rockville, MD 20850. Form U-10 may be found on the Department's web site at [www.corp.ca.gov/forms/srdlist.htm#ia](http://www.corp.ca.gov/forms/srdlist.htm#ia) or can be obtained by contacting the local office of the NASD or by sending a written request to NASD, 9513 Key West Avenue, Rockville, MD 20850 or by calling (301) 590-6500.

#### **4. FEES**

(a) A \$125 application fee is required to file an investment adviser application. This fee is to be sent directly to the Investment Adviser Registration Depository ("IARD"). This fee does not apply to any applicant that is also licensed as a broker-dealer under Code Section 25210.

(b) A \$25 reporting fee is required for each investment adviser representative or associated person. This fee is to be sent directly to the Central Registration Depository ("CRD").

#### **5. QUALIFICATION REQUIREMENTS [CCR 260.236]**

(a) The applicant and each investment adviser representative ("IAR") or associated person (as defined in Code Section 25009.5(a)) must qualify by passing, within two years prior to the date of filing the application for an investment adviser certificate or becoming engaged as an investment adviser representative, (1) the Series 65/Uniform Investment Adviser Law Examination in effect on January 1, 2000 ("2000 Series 65 Examination"), or (2) the Series 7/General Securities Representative Examination ("Series 7 Examination") and the Series 66/Uniform Combined State Law Examination ("2000 Series 66 Examination").

(b) Waivers - The requirements of CCR Section 260.236(a) do not apply to: (1) any investment adviser or individual employed or engaged as an investment adviser representative or associated person registered, reported or licensed in any state of the United States as of December 31, 1999 and (2) any investment adviser or investment adviser representative or associated person who has been actively and continuously engaged in the securities business as a broker-dealer, an agent of a broker-dealer, an investment adviser, or an investment adviser representative or associated person without substantial interruption (two or more years) since passing the (a) Series 2 Examination (SECO/NASD Nonmember General Securities Examination) or Series 7 examination before January 1, 1998, or (b) the Series 65 Examination or Series 66 Examination before January 1, 2000 and the Series 7 Examination.

(c) Exemptions – CCR Section 260.236(a) does not apply to the following:

(1) Any individual who has been registered as an investment adviser or employed or engaged as an investment adviser representative or association person in any state for two consecutive years immediately before the date of filing an application or notice in this state. This provision does not apply to an individual using the exemption in CCR Section 260.236(c)(2).

(2) Any investment adviser representative or associated person employed by or engaged by an investment adviser only to offer or negotiate for the sale of investment advisory services of the investment adviser.

(3) Any individual who currently holds in good standing one of the following designations: Chartered Financial Analyst ("CFA") granted by the Association for Investment Management and Research; Chartered Financial Consultant ("ChFC") awarded by The American College, Bryn Mawr, Pennsylvania; Certified Financial Planner ("CFP") issued by the Certified Financial Planner Board of Standards, Inc.; Chartered Investment Counselor ("CIC") granted by the Investment Counsel Association of America; or Personal Financial Specialist ("PFS") administered by the American Institute of Certified Public Accountants.

An individual who has not been registered in any state for a period of two years is required to comply with the examination requirements unless the individual is using the exemption in CCR Section 260.236(c)(2) or (c)(3).

Applicants that must satisfy the qualification requirements set forth under CCR Section 260.236 can apply for the 2000 Series 65 Examination by filing the Uniform Examination Request for Non-NASD Candidates ("Form U-10") with the National Association of Securities Dealers ("NASD") at 9513 Key West Avenue, Rockville, MD 20850.

## **6. MINIMUM FINANCIAL REQUIREMENTS [CCR 260.237.2]**

(a) Any applicant with its principal place of business in California is subject to minimum financial requirements if the applicant (i) has custody of client funds or securities, (ii) has discretionary authority over client funds or securities or (iii) accepts prepayment of more than \$500 per client and six or more months in advance.

(1) An applicant who has custody of client funds or securities must maintain at all times a minimum net worth of \$35,000.

(2) An applicant who has discretionary authority over client funds or securities but does not have custody of client funds or securities must maintain at all times a minimum net worth of \$10,000.

(3) An applicant who accepts prepayment of more than \$500 per client and six or more months in advance must maintain at all times a positive net worth.

(b) An applicant with its principal place of business in a state other than California should maintain minimum capital as required by the state in which the applicant maintains its principal place of business, provided the applicant is licensed or registered in such state and is in compliance with such state's minimum capital requirements. If you are not licensed or registered in the state where you maintain your principal place of business, you are subject to California's minimum financial requirements.

(c) The minimum financial requirements do not apply to an applicant that is also licensed as a broker-dealer under Code Section 25210.

## **7. SUBMISSION OF AN APPLICATION MUST INCLUDE:**

(a) A complete and properly executed application on Form ADV prepared in accordance with the form instructions and the \$125 application filing fee. Part 1 of Form ADV and the filing fee are to be filed directly with the Investment Adviser Registration Depository ("IARD"). Part II of Form ADV should be filed directly with the California Corporations Commissioner ("Commissioner") until such time as Part II may be filed with IARD.

(b) A complete and properly executed application for registration on Form U-4 prepared in accordance with the form instructions and the \$25 reporting fee for each investment adviser representative or associated person. Form U-4 and the \$25 reporting fee are to be filed with the Central Registration Depository ("CRD"). Proof of compliance with the qualification requirements, as set forth under CCR Section 260.236, should be filed directly with the Commissioner if proof cannot be obtained from CRD. Note: Each executive officer, director, partner or controlling member (or person occupying a similar status or performing similar functions) is presumed to be acting as an investment adviser representative or associated person unless such person files with the Commissioner an affidavit stating that he or she performs no activity for the investment adviser that would require him or her to be reported as an investment adviser representative. The affidavit form must be obtained from the Sacramento office and approved by the Commissioner.

(c) All items listed under the heading "Additional Information" in the Instructions for Completing and Filing Application on Form ADV ([Form 260.231](#)).

## **8. SUCCESSIONS:**

An application for a certificate as an investment adviser must be filed if you are succeeding to the business of another California registered investment adviser and you are not eligible for registration with the Securities and Exchange Commission. However, if you are succeeding to and continue the business of a predecessor investment adviser, and the succession is based solely on a change in the predecessor's date or state of incorporation, form of organization, or composition of a partnership, and there has been no practical change of control or management, the successor may, within 30 days after the succession, amend Form ADV of the predecessor investment adviser to reflect these changes.

PROMPT RESPONSE TO ANY REQUEST MADE BY THE COMMISSIONER FOR ADDITIONAL INFORMATION OR DOCUMENTS PERTINENT TO THE APPLICATION IS IMPERATIVE. FAILURE TO SUBMIT THE REQUESTED INFORMATION WITHIN A REASONABLE TIME MAY CAUSE THE APPLICATION TO BE ABANDONED.